

**Audited Financial Statements
and Supplementary Financial Information**

**Delray Beach Community
Redevelopment Agency**

**A Component Unit of the
City of Delray Beach, Florida**

Fiscal Year Ended September 30, 2007

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY -
A COMPONENT UNIT OF THE CITY OF DELRAY BEACH, FLORIDA

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY FINANCIAL INFORMATION

SEPTEMBER 30, 2007

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Independent Auditor's Report

Board of Commissioners
Delray Beach Community Redevelopment Agency
Delray Beach, Florida

We have audited the accompanying financial statements of the governmental activities, major fund and discretely presented component units of the Delray Beach Community Redevelopment Agency, a component unit of the City of Delray Beach, Florida, as of and for the year ended September 30, 2007, which collectively comprise the basic financial statements of the Delray Beach Community Redevelopment Agency as listed in the table of contents. These basic financial statements are the responsibility of the management of the Delray Beach Community Redevelopment Agency. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting of the Delray Beach Community Redevelopment Agency. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund and discretely presented component units of the Delray Beach Community Redevelopment Agency, a component unit of the City of Delray Beach, Florida, as of and for the year ended September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2007 on our consideration of the internal control over financial reporting of the Delray Beach Community Redevelopment Agency and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The information identified in the accompanying table of contents as *management's discussion and analysis* and the *required supplementary information* on pages 3 through 8 and pages 27 through 34, respectively, are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Delray Beach Community Redevelopment Agency. The *other supplementary information* on pages 35 through 39 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Delray Beach Community Redevelopment Agency. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Cale, Danten, Levine,
Dunker, Porter & Veil, P.A.*

December 28, 2007

Management's Discussion and Analysis

Acting in our capacity as the management of the Delray Beach Community Redevelopment Agency (the "CRA"), we offer readers of the CRA's financial statements this narrative overview and analysis of the financial activities of the CRA for the fiscal year ended September 30, 2007.

Financial Highlights

- The assets of the CRA exceeded its liabilities at the close of the most recent fiscal year by \$14,331,060 (*net assets*).
- The CRA's total net assets increased \$6,020,397. Substantially all of this increase is attributable to tax increment revenue in excess of redevelopment expenses.
- As of the close of the current fiscal year, the CRA's General Fund reported ending fund balance of \$7,949,059, an increase of \$4,107,351 in comparison with the prior year. A total of \$1,320,591 or 17% of the fund balance is reserved for long-term receivables, debt service and capital projects (reserved fund balance). The unreserved fund balance was \$6,628,468 and resulted primarily from the sale of land to the City of Delray Beach in October 2005.
- The CRA's total debt decreased by \$1,270,027 (7%) during the current fiscal year due to the scheduled debt service payments, excluding short-term borrowings and repayments of \$5,085,538.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the CRA's basic financial statements. The basic financial statements of the CRA comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the CRA's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the CRA's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the CRA is improving or deteriorating.

The *statement of activities* presents information showing how the CRA's net assets changed during the most recent fiscal year. All changes in net asset are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flow*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements present functions of the CRA that are principally supported by tax increment revenues (*governmental activities*). The governmental activities of the CRA include general government and redevelopment projects. The CRA has no business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements include not only the CRA itself (known as the *primary government*), but also two legally separate not-for-profit organizations for which the CRA is financially accountable (known as *component units*), the Block 60 Parking Condominium Association, Inc. and West Atlantic Redevelopment Coalition, Inc. Financial information for the component units is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 9-11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The CRA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The CRA utilizes only one fund, the *General Fund*, which is classified as a *governmental fund* and accounts for all financial resources of the CRA.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the CRA's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the *governmental fund* and *governmental activities*.

The CRA adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-13 of this report. The reconciliation between the governmental fund change in fund balance and the governmental activities change in net assets can be found on page 14.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-26 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the CRA's budget to actual results for the General Fund for the current year. Required supplementary information can be found on pages 27-34 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the CRA, assets exceeded liabilities by \$14,331,060 at the close of the most recent fiscal year.

Approximately 45% of the CRA's net assets reflect its investment in capital assets (e.g., land, improvements and equipment). The CRA uses these capital assets for economic redevelopment; consequently, these assets are *not* immediately available for future spending, however, certain of the capital assets may be sold for private development in the future and the proceeds used for additional redevelopment projects or repayment of the related debt. Although the CRA's investment in its capital assets is reported net of the related debt, it should be noted that the resources needed to repay this debt may be provided from the sale of capital assets, as well as future tax increment revenues and other income.

CRA Net Assets at September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current and other assets	\$ 8,660,571	\$ 4,813,394
Capital assets	<u>23,169,022</u>	<u>22,525,328</u>
Total assets	<u>\$ 31,829,593</u>	<u>\$ 27,338,722</u>
Liabilities		
Long-term liabilities outstanding	\$ 16,745,025	\$ 18,015,052
Other liabilities	<u>753,508</u>	<u>1,013,007</u>
Total liabilities	<u>\$ 17,498,533</u>	<u>\$ 19,028,059</u>
Net assets		
Invested in capital assets, net of related debt	\$ 6,423,997	\$ 4,510,276
Restricted	27,794	706,112
Unrestricted	<u>7,879,269</u>	<u>3,094,275</u>
Total net assets	<u>\$ 14,331,060</u>	<u>\$ 8,310,663</u>

At the end of the current fiscal year, the CRA reported positive balances in all categories of net assets. A portion of the CRA's net assets (*restricted* net assets) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$7,879,269 may be used to fund the CRA's ongoing redevelopment projects and to pay creditors.

The CRA's net assets increased by \$6,020,397 during the current fiscal year. Substantially all of this increase represents the degree to which increases in tax increment revenues have outpaced similar increases in ongoing expenses. There was a decrease of \$2,024 in net assets reported in connection with the CRA's component units. The majority of this decrease resulted from expenses by the West Atlantic Redevelopment Coalition, Inc.

Governmental activities. Governmental activities increased the CRA's net assets by \$6,020,397. Key elements of this increase are as follows.

CRA Changes in Net Assets for the Years Ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Program revenue		
Charges for services	\$ 78,238	\$ 171,803
Operating contributions and grants	2,672	125,000
Capital contributions and grants	452,062	97,938
General revenue		
Tax increment revenue	14,925,949	10,856,493
Other revenue	<u>522,464</u>	<u>6,846,482</u>
Total revenues	15,981,385	18,097,716

	<u>2007</u>	<u>2006</u>
Expenses		
General government	\$ 1,151,290	\$ 1,023,921
Property management	187,974	244,242
Redevelopment projects	<u>8,621,724</u>	<u>11,020,681</u>
	<u>9,960,988</u>	<u>12,288,844</u>
Total expenses		
Increase in net assets	6,020,397	5,808,872
Net assets - beginning of year	<u>8,310,663</u>	<u>2,501,791</u>
	<u>\$ 14,331,060</u>	<u>\$ 8,310,663</u>
Net assets - end of year		

Tax increment revenues increased by \$4,069,456 (37 percent) for the year. This increase is the product of increased property values in the CRA's redevelopment area of approximately \$545 million for 2007.

Increases in general government expenses totaled \$127,369 (12 percent) and for the most part, closely paralleled inflation, although salaries increased approximately \$100,000 as a result of new positions, which accounts for approximately 70% of the total increase. Property management expense decreased, as did redevelopment projects expense. The decrease in redevelopment expense was attributable primarily to contributions of approximately \$7.4 million provided in 2006 for the Old School Square parking garage that were not repeated in 2007, and increases in 2007 for renovation expense for the LaFrance Hotel of approximately \$1.8 million and contributions to the Community Land Trust of approximately \$4.1 million. The CRA's redevelopment projects expense includes interest on long-term debt of approximately \$900,000 for various redevelopment projects located predominantly in the West Atlantic Avenue and downtown corridor.

Financial Analysis of the Governmental Fund

As noted earlier, the CRA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund. The focus of the *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the CRA's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As noted previously, the CRA has only one governmental fund, the General Fund.

As of the end of the current fiscal year, the CRA's governmental fund reported ending fund balance of \$7,949,059, an increase of \$4,107,351 in comparison with the prior year. A total of \$1,320,591 or 17% of the fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay for debt service and capital projects. The unreserved fund balance is \$6,628,468.

As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance at September 30, 2007 represented 37 percent of total General Fund expenditures for the year.

The key factor in the increase in fund balance for the General Fund was the increase in tax increment revenue of approximately \$4.1 million in 2007.

General Fund Budgetary Highlights

There was a decrease of approximately \$11 million between the original budget and the final amended budget for the year, attributable primarily to certain redevelopment projects that did not commence in 2007 as originally anticipated. During the year, revenues and other financing sources exceeded budgetary estimates by approximately \$5.8 million due primarily to borrowings of approximately \$5.1 million in 2007 that were not budgeted.

Expenditures and other financing uses exceeded budgetary estimates by approximately \$2.2 million, of which approximately \$5.1 million was attributable to debt repayments that were not budgeted.

Capital Asset and Debt Administration

Capital assets. The CRA's investment in capital assets as of September 30, 2007, amounts to \$23,169,022 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, equipment, furniture and fixtures. The net increase in the CRA's investment in capital assets for the current fiscal year was \$643,694. Major capital asset events during the current fiscal year included the following:

- Expenditures of approximately \$2.1 million for the renovation of the LaFrance Hotel.
- Expenditures of approximately \$750,000 for the purchase of various properties for future redevelopment projects.
- The transfer of properties totaling approximately \$2.2 million to the City of Delray Beach for the Old School Square project.

Capital Assets (net of accumulated depreciation)

	<u>2007</u>	<u>2006</u>
Land and improvements	\$ 20,463,034	\$ 21,929,506
Construction in progress	2,388,538	241,235
Buildings and improvements	312,201	334,029
Equipment, furniture and fixtures	<u>5,249</u>	<u>20,558</u>
Total assets	<u>\$ 23,169,022</u>	<u>\$ 22,525,328</u>

Additional information on the CRA's capital assets can be found in Note E on pages 21-22 of this report.

Long-term debt. At the end of the current fiscal year, the CRA had total bonded debt outstanding of \$16,715,000, which is secured by a pledge of the tax increment revenues received by the CRA. The remainder of the CRA's debt represents amounts owed to the City of Delray Beach.

Outstanding Debt Revenue Bonds and Note Payable

	Governmental activities	
	<u>2007</u>	<u>2006</u>
Revenue bonds	\$ 16,715,000	\$ 17,955,000
Note payable to the City of Delray Beach	<u>30,025</u>	<u>60,052</u>
Total outstanding debt	<u>\$ 16,745,025</u>	<u>\$ 18,015,052</u>

The CRA's total debt decreased by \$1,270,027 (7 percent) during the current fiscal year due to the scheduled payments on bonds and the note. There are no legal or statutory debt limitations for the CRA.

Additional information on the CRA's long-term debt can be found in Note F on pages 22-24 of this report.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were considered in establishing the CRA's budget for the 2007/2008 fiscal year.

- The property valuations in the CRA district increased approximately \$545 million in 2007, which is an increase of 57 percent. Property values compare favorably with those in other areas of Palm Beach County.
- The occupancy rate of the CRA's central business district on East Atlantic Avenue has remained high for several years.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the CRA's budget for the 2007-2008 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$6,628,468 resulting from the increase in tax increment revenue for 2007.

Requests for Information

This financial report is designed to provide a general overview of the CRA's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director at 20 N. Swinton Avenue, Delray Beach, Florida, 33444.

BASIC FINANCIAL STATEMENTS

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF NET ASSETS

September 30, 2007

	<u>Primary Governmental Activities</u>	<u>Component Units</u>
ASSETS		
Cash	\$ 2,387,054	\$ 31,867
Investments	4,482,146	
Receivable from the City of Delray Beach	150,000	
Receivable from Delray Beach Community Land Trust	1,288,712	
Other receivables		3,886
Restricted cash and investments	212,541	
Mortgage notes receivable	110,000	
Other assets	4,085	
Unamortized bond issue costs	26,033	
Capital assets		
Capital assets not being depreciated	22,851,572	
Depreciable capital assets, net	317,450	
Total Assets	<u>31,829,593</u>	<u>35,753</u>
LIABILITIES		
Accounts payable	170,986	
Accrued expenses	99,737	
Contract retainage payable	51,116	
Due to the City of Delray Beach	240,769	
Unearned revenue	6,153	
Refundable tenant and bid deposits	184,747	
Noncurrent liabilities		
Due within one year	1,330,025	
Due in more than one year	15,415,000	
Total Liabilities	<u>17,498,533</u>	<u>0</u>
NET ASSETS		
Invested in capital assets, net of related debt	6,423,997	
Restricted for debt service and capital projects	27,794	
Unrestricted	7,879,269	35,753
Total Net Assets	<u>\$ 14,331,060</u>	<u>\$ 35,753</u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

Year Ended September 30, 2007

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Primary Government				
Governmental activities				
General government	\$ 1,151,290	\$	\$	\$
Property management	187,974	57,250		
Economic development	<u>8,621,724</u>	<u>20,988</u>	<u>2,672</u>	<u>452,062</u>
Total primary government	<u>\$ 9,960,988</u>	<u>\$ 78,238</u>	<u>\$ 2,672</u>	<u>\$ 452,062</u>
Component units				
Block 60 Parking Condominium	\$ 6,345	\$ 12,576	\$	\$
West Atlantic Redevelopment Coalition	<u>13,274</u>		<u>4,908</u>	
Total component units	<u>\$ 19,619</u>	<u>\$ 12,576</u>	<u>\$ 4,908</u>	<u>\$ 0</u>

General revenue

Tax increment revenue
Interest and other income

Total General Revenue

Change in Net Assets

Net assets at October 1, 2006, as restated

Net assets at September 30, 2007

Net Revenue (Expenses) and Changes in Net Assets	
Primary Government Governmental Activities	Component Units
\$ (1,151,290)	\$
(130,724)	
<u>(8,146,002)</u>	
(9,428,016)	
	6,231
	<u>(8,366)</u>
	(2,135)
14,925,949	
522,464	111
<u>15,448,413</u>	<u>111</u>
6,020,397	(2,024)
<u>8,310,663</u>	<u>37,777</u>
<u>\$ 14,331,060</u>	<u>\$ 35,753</u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BALANCE SHEET - GOVERNMENTAL FUND

September 30, 2007

	General Fund
ASSETS	
Cash	\$ 2,387,054
Investments	4,482,146
Receivable from the City of Delray Beach	150,000
Receivable from Delray Beach Community Land Trust	1,288,712
Restricted cash and investments	212,541
Mortgage notes receivable	110,000
Other assets	<u>4,085</u>
Total Assets	<u>\$ 8,634,538</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 170,986
Accrued items	31,708
Contract retainage payable	51,116
Due to the City of Delray Beach	240,769
Unearned revenue	6,153
Refundable tenant and bid deposits	<u>184,747</u>
Total Liabilities	685,479
FUND BALANCE	
Reserved for long-term receivables	1,292,797
Reserved for debt service and capital projects	27,794
Unreserved	
Undesignated	<u>6,628,468</u>
Total Fund Balance	<u>7,949,059</u>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the general fund	23,169,022
Issuance costs on long-term debt are capitalized and amortized over the term of the related debt in the statement of net assets	26,033
Accrued interest on long-term debt is not due and payable in the current period and is not reported in the general fund	(68,029)
Long-term liabilities are not due and payable in the current period and are not reported in the general fund	<u>(16,745,025)</u>
Net assets of governmental activities	<u>\$ 14,331,060</u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - GOVERNMENTAL FUND

Year Ended September 30, 2007

		General Fund
REVENUES		
Tax increment revenue	\$	14,925,949
Grants and reimbursements		454,734
Rental property income		57,250
Green Market revenue		20,988
Interest and other income		522,464
	Total Revenues	15,981,385
EXPENDITURES		
Current		
General government		1,114,153
Property management		187,974
Economic development		6,666,251
Capital outlay		2,897,376
Debt service		
Principal		6,355,565
Interest		910,313
	Total Expenditures	18,131,632
	Expenditures in Excess of Revenues	(2,150,247)
OTHER FINANCING SOURCES		
Debt proceeds		5,085,538
Proceeds from sales of purchased properties		1,172,060
		6,257,598
	Net Change in Fund Balance	4,107,351
Fund Balance at October 1, 2006		3,841,708
Fund Balance at September 30, 2007		\$ 7,949,059

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2007

**Amounts reported for governmental activities in the statement of activities
are different because:**

Net change in fund balance - governmental fund	\$ 4,107,351
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,866,021
Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each fixed asset disposal. This is the carrying value of asset disposals.	(2,222,327)
Debt proceeds provide current financial resources to the governmental fund, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which debt repayments exceeded proceeds.	1,270,027
Debt issuance costs are an expenditure in the governmental fund, but are capitalized and amortized over the term of the related debt in the statement of net assets. This is the amount of current year amortization of debt issue costs.	(2,196)
In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental fund, an interest expenditure is reported when the payment is due. This is the net change in accrued interest expense.	<u>1,521</u>
Change in net assets of governmental activities	<u><u>\$ 6,020,397</u></u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity: The Delray Beach Community Redevelopment Agency (the "CRA") is a dependent special district established by the City of Delray Beach, Florida (the "City") under authority granted by Florida Statute 163, Section III. The purpose of the CRA is to promote and guide the physical and economic redevelopment of approximately 1,900 acres in the center of the City of Delray Beach. The CRA is a legally separate entity established by Ordinance number 46-85 of the Delray Beach City Council on June 18, 1985. The CRA is governed by a seven member Board of Commissioners appointed by the Delray Beach City Council.

As defined by U.S. generally accepted accounting principles, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based upon the application of these criteria, the CRA was evaluated and determined to be a component unit of the City of Delray Beach, Florida. The City Council of Delray Beach appoints the governing board of the CRA and the tax increment financing received by the CRA is considered evidence of the City's obligation to provide financial support to the CRA.

Discretely Presented Component Units

Block 60 Parking Condominium Association, Inc. - The CRA, as owner and developer of a 92 space parking lot in Block 60 of the City of Delray Beach, transferred control of the parking lot to a legally separate condominium association governed by a three member board of directors elected by the owners of the 92 parking spaces. As owner of a majority of the parking spaces, the CRA has a majority voting interest in selecting the board of directors of the condominium association and the CRA is responsible for managing the day-to-day operations of the condominium association.

West Atlantic Redevelopment Coalition, Inc. - This not-for-profit organization was formed by the CRA to solicit community input and promote the redevelopment of the West Atlantic Avenue area of the CRA district. The organization is governed by a nine member board of directors initially appointed by the CRA and thereafter elected by the members of the organization. The CRA provides the majority of the financial support for the organization and is responsible for managing its day-to-day financial operations.

Delray Beach Community Land Trust, Inc. - This not-for-profit organization was formed by the CRA and the City to promote and preserve affordable housing within the City. The organization is governed by a twelve member board of directors elected by the members of the organization. For the fiscal year beginning October 1, 2006, the CRA no longer provided the majority of the financial support for the organization and was not responsible for managing its day-to-day financial operations. Accordingly, the

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

organization was no longer a component unit of the CRA after October 1, 2006 and the beginning net assets have been restated to eliminate the net assets of this organization.

The component units do not prepare separate audited financial statements, however, additional financial information for each component unit can be obtained from the CRA.

Jointly Governed Organization

The CRA is a participant in a joint venture agreement with the Delray Beach Downtown Development Authority and the Greater Delray Beach Chamber of Commerce for the operation of an economic development program for downtown Delray Beach known as the Downtown Delray Beach Marketing Cooperative. The term of the CRA's participation is for one year and the CRA has no ongoing financial interest or financial responsibility. For the year ended September 30, 2007, the CRA contributed approximately \$186,000 to the joint venture and paid approximately \$141,000 to vendors for services on behalf of the Downtown Delray Beach Marketing Cooperative.

Government-wide Financial Statements: The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities and report information on all non-fiduciary activities of the CRA and its component units. These statements include separate columns for the *governmental activities* of the CRA, which are normally supported by tax increment and intergovernmental revenue, and the activities of the legally separate *component units* for which the CRA is financially accountable as the primary government. The CRA has no *business-type activities*. The Statement of Net Assets presents the financial condition of the CRA, including all long-term assets and receivables as well as all long-term debt and obligations.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenue* includes three categories of transactions: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; (2) operating grants and contributions; and, (3) capital grants and contributions. Tax increment revenue and other items not meeting the definition of program revenue are reported as *general revenue*. The CRA does not allocate indirect expenses.

Fund Financial Statements: The underlying accounting system of the CRA is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The CRA utilizes only one fund, the *General Fund*, which is classified as a *governmental* fund and accounts for all financial resources of the CRA as follows:

Governmental Fund Financial Statements – Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for the major fund. An accompanying schedule is presented to reconcile and explain the differences in fund balance and changes in fund balance as presented in these statements, to the net assets and changes in net assets presented in the government-wide financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting: The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenue is recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Tax increment revenues are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized in the period in which it becomes both measurable and available. Revenues are considered to be available when collectible within the current period or soon enough thereafter to pay liabilities of the current period. The CRA considers revenues to be available if collected within 60 days of the end of the current fiscal year. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt, which is recognized when due. Tax increment revenues, intergovernmental revenues, rents and charges for services and investment income are all considered susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be measurable and available only when received in cash by the CRA.

Cash: Cash consists of petty cash and amounts on deposit in interest and non-interest bearing checking accounts and money market accounts.

Investments: Investments consist of amounts on deposit in the Local Government Surplus Funds Trust Fund, an external investment pool administered by the State of Florida and operating as a "2a7-like" pool under GASB Statement No. 31. As such, the pool uses amortized cost for valuation of the pool shares and the fair value of the shares in the pool is the same as the CRA's investment in the pool shares.

Accounts Receivable: Accounts receivable represent amounts due for miscellaneous services. Customers of the CRA are local businesses and residents. The CRA does not require collateral for accounts receivable. Accounts receivable are reported net of an allowance for doubtful accounts determined based on the age of the individual receivable, with age categories ranging from 30 days to approximately one year past due. Generally, an allowance is established for accounts over 90 days past due. Accounts receivable are written off on an individual basis in the year the CRA deems them uncollectible.

Restricted Cash and Investments: Restricted cash and investments of the CRA represent bond proceeds and other amounts legally required to be set aside for debt service, customer deposits, and capital improvements. Restricted resources are used first to fund expenses incurred for restricted purposes.

Capital Assets: The CRA has reported all capital assets in the government-wide statement of net assets. Capital assets are defined by the CRA as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are recorded at cost or, if donated, fair value at the date of donation. Expenditures, which materially extend the useful life of existing assets, are capitalized. Certain costs for professional services associated with the acquisition and construction of capital assets have been capitalized. The cost of capital assets sold or retired is removed from the appropriate accounts and any resulting gain or loss is included in the increase in net assets. Depreciation

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

is computed on all reported capital assets, except land and improvements, using the straight-line method over the assets' estimated useful lives. The estimated useful life of equipment, furniture and fixtures is five to seven years.

Compensated Absences: Unpaid annual leave amounts and related employer payroll taxes are accrued when incurred. Unpaid annual leave expires at the end of each calendar year. Accordingly, the liability for unpaid annual leave is considered a current liability which is expected to be liquidated with expendable available financial resources and is included in accrued expenses in both the governmental fund and the government-wide financial statements. Sick leave benefits are paid only when taken. The CRA does not sponsor a pension plan but does make contributions to a deferred compensation plan for the benefit of certain employees. The CRA provides no post-employment benefits to employees.

Risk Management: The CRA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The CRA purchases commercial insurance for the risks of losses to which it is exposed. Policy limits and deductibles are reviewed annually by management and established at amounts to provide reasonable protection from significant financial loss. Settlements have not exceeded insurance coverage for any of the prior three fiscal years.

Net Assets/Fund Balance: The government-wide financial statements utilize a net asset presentation. Net assets are categorized as follows:

Invested in Capital Assets, Net of Related Debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted - This component of net assets consists of constraints placed on the use of net assets by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net assets consists of net assets that do not meet the definition of *Invested in Capital Assets, Net of Related Debt* or *Restricted*.

The governmental fund financial statements utilize a fund balance presentation. Fund balance is categorized as follows:

Fund balance reserves indicate the portion of fund balance that is not available for subsequent expenditure, other than for the specific purpose for which the reserve was established.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants: Amounts received by the CRA from grantor agencies are subject to audit and adjustment by those agencies. Any disallowed claims, including amounts already received, might constitute a liability of the CRA for return of those funds.

Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were used.

NOTE B - CASH AND INVESTMENTS

Cash: Cash at September 30, 2007, includes deposits with financial institutions with a bank balance of \$2,744,206 and a carrying amount of \$2,599,295 and \$300 of petty cash. The deposits with financial institutions were entirely covered by federal depository insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions that comply with the requirements of Florida Statutes and have been designated as a qualified public depository by the State Treasurer. Qualified public depositories are required to pledge collateral to the State Treasurer with a fair value equal to a percentage of the average daily balance of all government deposits in excess of any federal deposit insurance. In the event of a default by a qualified public depository, the amount of public funds would be covered by the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Accordingly, all deposits with financial institutions are considered fully insured or collateralized in accordance with the provisions of GASB Statement No. 3. Cash balances of component units at September 30, 2007, are deposits with financial institutions that are fully covered by federal depository insurance.

Investments: The CRA follows the provisions of Florida Statutes for its investment policy. Florida Statutes authorize the CRA to invest in the Local Government Surplus Funds Trust Fund, an external investment pool administered by the State of Florida; negotiable direct obligations of or obligations unconditionally guaranteed by the U.S. Government; interest-bearing time deposits or savings accounts in financial institutions located in Florida and organized under federal or Florida laws; obligations of the Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank or its district banks; or obligations guaranteed by the Government National Mortgage Association and obligations of the Federal National Mortgage Association. The CRA's investments at September 30, 2007, consisted of \$4,482,146 in the Local Government Surplus Funds Trust Fund.

The Local Government Surplus Funds Trust Fund is an external investment pool administered by the State of Florida pursuant to statutory requirements and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. Those conditions include restrictions on the types of investments held, restrictions on the term-to-maturity of individual investments and the dollar-weighted average of the portfolio, requirements for portfolio diversification, requirements for divestiture considerations in the event of security downgrades

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE B - CASH AND INVESTMENTS (Continued)

and defaults, and required actions if the fair value of the portfolio deviates from amortized cost by a specified amount. The fair value of the position in the pool is considered to be the same as the CRA's account balance (amortized cost) in the pool. The investment in the pool is not evidenced by securities that exist in physical or book entry form. On November 29, 2007 the CRA withdrew substantially all funds from the SBA and invested them in a money market account with a financial institution.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments are subject to interest rate risk as a function of the length of time to maturity. The CRA's investment policy does not specifically limit the maturity of investments. The Local Government Surplus Funds Trust Fund has a weighted average maturity of less than ninety days, resulting in minimal interest rate risk.

Credit Risk: Credit risk is the risk that an issuer will not fulfill its obligations. The CRA's investment policy addresses credit risk by limiting investments to the Local Government Surplus Funds Trust Fund, deposits with a financial institution meeting the requirements of a Florida qualified public depository, securities guaranteed by the U.S. Government, or securities that are fully collateralized or secured. The security rating by a Nationally Recognized Statistical Rating Organization (NRSRO) is also an indication of credit risk. The Local Government Surplus Funds Trust Fund does not carry a credit rating.

Custodial Credit Risk: Custodial credit risk is defined as the risk that the CRA may not recover the securities held by another party in the event of a financial failure. The CRA requires any investments in securities to be held in the CRA's name by a third party safekeeping institution. The investments in the Local Government Surplus Funds Trust Fund are considered *unclassified* pursuant to the custodial credit risk categories of GASB Statement No. 3.

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The investment policy does not address the concentration of credit risk, although investments are limited to the Local Government Surplus Funds Trust Fund and deposits with a financial institution meeting the requirements of a Florida qualified public depository.

Restricted Cash and Investments: At September 30, 2007, cash and investments of approximately \$212,541 were restricted by provisions of bond resolutions to certain allowable expenditures. Restricted resources are used first to fund expenses incurred for restricted purposes.

NOTE C - RECEIVABLE FROM DELRAY BEACH COMMUNITY LAND TRUST

The CRA advances funds to the Delray Beach Community Land Trust, Inc. (CLT) for land acquisition and construction loans for development of affordable housing units in the City of Delray Beach. The funds provided by the CRA for land acquisition are recorded as non-interest bearing mortgages on the properties and are to be repaid by the CLT if the property is sold, and to the extent that the value of the land sold in conjunction with the single-family residence constructed on the property and related closing costs are less than the funds provided by the CRA to purchase the land. Generally, the land acquisition

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE C - RECEIVABLE FROM DELRAY BEACH COMMUNITY LAND TRUST (Continued)

loans are considered grants to the CLT in the year made, as repayment is not expected and the amount of repayment cannot be determined at the time of the loan.

The construction loans are provided by the CRA to finance the construction of homes by the CLT and are to be repaid by the CLT from the proceeds of the sale of the home. These advances are non-interest bearing mortgages on the property and have no fixed repayment date, although the advance is generally repaid within one year. At September 30, 2007 the outstanding balance of construction loans receivable from the CLT was \$1,288,712.

NOTE D - MORTGAGE NOTES RECEIVABLE

Mortgage notes receivable are non-interest bearing second and third mortgages granted by the CRA for the purchase of residential properties by individuals in connection with the CRA's affordable housing program. One note in the amount of \$40,000 is due on September 12, 2011 and the remaining notes totaling \$70,000 are due upon the occurrence of one of the following events: (1) sale or transfer of the property; (2) the property ceases to be the principal residence of the mortgagor; or, (3) an obligation of the mortgagor under the mortgage, such as payment of real estate taxes or homeowners insurance, is not timely performed.

NOTE E - CAPITAL ASSETS

The capital asset activity for the year ended September 30, 2007 was as follows:

	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
Capital assets not being depreciated				
Land and improvements	\$ 21,929,506	\$ 750,073	\$ (2,216,545)	\$ 20,463,034
Construction in progress	<u>241,235</u>	<u>2,147,303</u>	<u> </u>	<u>2,388,538</u>
Total capital assets not being depreciated	22,170,741	2,897,376	(2,216,545)	22,851,572
Depreciable capital assets				
Buildings and improvements	420,666			420,666
Equipment	77,666		(11,562)	66,104
Furniture and fixtures	<u>28,867</u>			<u>28,867</u>
Total depreciable capital assets	527,199	0	(11,562)	515,637
Less accumulated depreciation	<u>(172,612)</u>	<u>(31,355)</u>	<u>5,780</u>	<u>(198,187)</u>
Depreciable capital assets, net of accumulated depreciation	<u>354,587</u>	<u>(31,355)</u>	<u>(5,782)</u>	<u>317,450</u>
Total capital assets	<u>\$ 22,525,328</u>	<u>\$ 2,866,021</u>	<u>\$ (2,222,327)</u>	<u>\$ 23,169,022</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE E - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities functions as follows:

General government	\$ 31,355
Total Governmental Activities	
Depreciation Expense	<u>\$ 31,355</u>

NOTE F - LONG-TERM DEBT

Changes in long-term debt for the year ended September 30, 2007 are summarized as follows:

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year	Amounts Due Within One Year
Revenue Bonds					
Series 2004A	\$ 9,000,000	\$	\$ (530,000)	\$ 8,470,000	\$ 555,000
Series 2004B	1,615,000		(125,000)	1,490,000	130,000
Series 1999A	<u>7,340,000</u>		<u>(585,000)</u>	<u>6,755,000</u>	<u>615,000</u>
Total revenue bonds	17,955,000		(1,240,000)	16,715,000	1,300,000
Notes Payable					
Revenue Note, Series 2006	0	5,085,538	(5,085,538)	0	0
City of Delray Beach	<u>60,052</u>		<u>(30,027)</u>	<u>30,025</u>	<u>30,025</u>
	<u>60,052</u>	<u>5,085,538</u>	<u>(5,115,565)</u>	<u>30,025</u>	<u>30,025</u>
Total long-term debt	<u>\$ 18,015,052</u>	<u>\$ 5,085,538</u>	<u>\$ (6,355,565)</u>	<u>\$ 16,745,025</u>	<u>\$ 1,330,025</u>

Revenue Bonds: Tax increment redevelopment revenue bonds payable by the CRA at September 30, 2007 consisted of the following:

Series 2004A: Consists of a \$10,000,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Improvement Bond, Series 2004A, dated May 19, 2004. The bond was issued to a local bank for an aggregate principal amount of \$10,000,000 for the purpose of financing the costs of acquisition and construction of certain redevelopment projects. Interest is payable semi-annually on March 1 and September 1 at 4.2982% on the outstanding principal balance, until September 1, 2019, the maturity date of the bond. Interest on the bond is tax-exempt to the holder of the bond for federal income tax purposes.

Series 2004B: Consists of a \$1,925,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Refunding Bond, Series 2004B, dated May 19, 2004. The bond was issued to a local bank for an aggregate principal amount of \$1,925,000 for the purpose of redeeming \$1,925,000 of outstanding Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond, Series 1999B. Interest is payable semi-annually on March 1 and September 1 at 5.9095%, until September 1, 2016, the maturity date of the bond. Interest on the bond is taxable to the holder of the bond for federal income tax purposes.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE F - LONG-TERM DEBT (Continued)

Series 1999A: Consists of a \$9,715,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond, Series 1999A, dated June 25, 1999. The bond was issued to a local bank for an aggregate principal amount of \$9,715,000 for the purpose of financing the costs of acquisition and construction of certain redevelopment projects and to refund the \$6,015,000 outstanding Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond, Series 1997A. Interest is payable semi-annually on March 1 and September 1 at 4.80% on the outstanding principal balance, until September 1, 2019, the maturity date of the bond. Interest on the bond is tax-exempt to the holder of the bond for federal income tax purposes. The bonds are each secured by the tax increment revenues and all investment earnings thereon received by the CRA.

Tax Increment Redevelopment Revenue Improvement Note, Series 2006 Taxable: On September 21, 2006, the CRA authorized the issuance of a revolving note agreement with a financial institution for an amount not to exceed \$7 million to finance the development of affordable housing and other redevelopment projects pursuant to the CRA's redevelopment plan. Interest on the outstanding principal balance of the note accrues at a rate equivalent to the one month LIBOR rate plus 28 basis points (approximately 5.4% at September 30, 2007) and is payable semi-annually on June 1st and December 1st, commencing December 1, 2006, until maturity of the note on December 1, 2009, at which time all outstanding principal is due. The note is secured by a pledge of tax increment revenues on parity with the CRA's outstanding revenue bonds. During the year ended September 30, 2007 the CRA borrowed and repaid \$5,085,538 on this note and there was no outstanding liability at September 30, 2007.

Note Payable to the City of Delray Beach: The note payable to the City of Delray Beach is an interlocal agreement with the City of Delray Beach and Old School Square, Inc., approved on January 20, 1999, whereby the CRA assumed the unpaid balance of a 1992 note payable by Old School Square, Inc. to the City of Delray Beach. Under the terms of the interlocal agreement the loan is non-interest bearing and provides for principal repayment by the CRA in equal annual installments of \$30,027 and a final payment of \$30,025 at maturity on January 15, 2008.

Principal Maturities: Principal maturities of the Series 2004A, Series 2004B and Series 1999A bonds are payable September 1st, as follows:

<u>Year Ending September 30,</u>	<u>Series 2004A</u>	<u>Series 2004B</u>	<u>Series 1999A</u>
2008	\$ 555,000	\$ 130,000	\$ 615,000
2009	580,000	140,000	645,000
2010	600,000	150,000	675,000
2011	630,000	155,000	735,000
2012	655,000	165,000	775,000
2013	680,000	175,000	815,000
2014	710,000	185,000	855,000
2015	745,000	190,000	485,000
2016	780,000	200,000	270,000

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE F - LONG-TERM DEBT (Continued)

<u>Year Ending September 30,</u>	<u>Series 2004A</u>	<u>Series 2004B</u>	<u>Series 1999A</u>
2017	\$ 810,000	\$	\$ 280,000
2018	845,000		295,000
2019	<u>880,000</u>		<u>310,000</u>
	<u>\$ 8,470,000</u>	<u>\$ 1,490,000</u>	<u>\$ 6,755,000</u>

Interest Expense: Total interest costs incurred on all CRA debt for the year ended September 30, 2007, were \$908,792. All interest costs were expensed as a direct expense of redevelopment projects.

Annual Debt Service: The aggregate, annual debt service requirements at September 30, 2007 for the Revenue Bonds and note payable to the City of Delray Beach are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,330,025	\$ 776,350	\$ 2,106,375
2009	1,365,000	715,292	2,080,292
2010	1,425,000	651,128	2,076,128
2011	1,520,000	584,076	2,104,076
2012	1,595,000	512,558	2,107,558
2013-2017	7,180,000	1,433,678	8,613,678
2018-2019	<u>2,330,000</u>	<u>155,888</u>	<u>2,485,888</u>
	<u>\$ 16,745,025</u>	<u>\$ 4,828,970</u>	<u>\$ 21,573,995</u>

NOTE G - TAX INCREMENT REVENUES

Tax increment revenues are the primary source of revenue for the CRA. Tax increment revenue is collected from the two governmental entities that levy property taxes within the legally define redevelopment area of the CRA, the City of Delray Beach and Palm Beach County. The tax increment revenue is calculated by applying the adopted millage rate of each governmental entity to the increase in current year taxable assessed valuations over the 1985 base year assessed valuations for all properties located within the CRA boundaries.

Each governmental entity is required to pay 95% of these incremental property taxes to the CRA. The increase in assessed valuations of property within the CRA boundaries over the 1985 base year valuations is presumed to be the result of the redevelopment efforts of the CRA. The tax base of the CRA is the layer of assessed valuations of properties over the 1985 base year assessed valuations, but does not include any portion of the base.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE G - TAX INCREMENT REVENUES (Continued)

The assessed value of properties subject to incremental property taxes for the year ended September 30, 2007 was as follows:

Assessed property value for 2006	\$ 1,751,096,851
Assessed property value for 1985 base year	<u>245,631,067</u>
Increase in assessed property value	<u>\$ 1,505,465,784</u>
Assessed property value subject to incremental property tax (95%)	<u>\$ 1,430,192,495</u>

NOTE H - RELATED PARTY TRANSACTIONS

City of Delray Beach: The CRA is a component unit of the City of Delray Beach, Florida. For the year ended September 30, 2007, the CRA's tax increment revenues include \$9,202,575 received from the City. CRA expenditures for the year ended September 30, 2007, include charges of approximately \$700,000 for contractual services provided by the City to the CRA in connection with various administrative and redevelopment activities. At September 30, 2007, the CRA had a receivable of \$150,000 from the City and a payable to the City of \$240,769 for reimbursement of certain administrative and redevelopment expenditures. In October 2005 the CRA sold a parcel of land with a carrying value of approximately \$6,260,000, to the City for \$6,460,000 in connection with the Old School Square project. As a condition of this sale the CRA was to make a contribution of \$6,500,000 to the City of Delray Beach for construction of the Old School Square parking garage. In June 2006 the CRA transferred property with a fair market value of \$6,000,000 to the City for the construction of the Old School Square parking garage. The remaining \$500,000 contribution was made through a land sale to the City in November 2006. For the year ended September 30, 2007 the CRA sold seven properties with a total carrying value of \$975,727 to the City for \$10 each.

Component Units: The Block 60 Parking Condominium Association, Inc. and West Atlantic Redevelopment Coalition, Inc. are component units of the CRA. For the year ended September 30, 2007 the Block 60 Parking Condominium Association, Inc. received assessments from the CRA and the City totaling \$6,123 and \$880, respectively; and the West Atlantic Redevelopment Coalition, Inc. received contributions from the CRA of \$15,000.

NOTE I - COMMITMENTS AND CONTINGENCIES

Delray Beach Public Library: The CRA entered into an agreement dated July 1, 2003, with the City of Delray Beach (the "City") and the Delray Beach Public Library Association, Inc. (the "Library") for relocation of the Delray Beach Public Library to West Atlantic Avenue. Under the terms of the agreement, in 2005 the CRA exchanged a parcel of property owned by the CRA on West Atlantic Avenue with a carrying value of approximately \$509,000 for the current library site owned by the City. The CRA also agreed that in the event it disposes of the current library site, any proceeds in excess of \$1.7 million, plus all related selling expenses incurred by the CRA, will be paid to the City.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE I - COMMITMENTS AND CONTINGENCIES (Continued)

Litigation: The CRA is a plaintiff in eminent domain lawsuits arising in the ordinary course of normal operations. The majority of the matters in the lawsuits have been settled and it is the opinion of management based upon consultation with legal counsel, that the remaining amount to be paid by the CRA, if any, is within the CRA's budget and the final outcome of these actions will not materially affect the financial position of the CRA.

Contracts: During 2006 the CRA entered into a contract for \$2,128,249 for the rehabilitation of the LaFrance Hotel. At September 30, 2007, the CRA had incurred \$1,993,542 on the project and recorded contract retainage payable of \$51,117, leaving a remaining contract commitment of \$83,590.

The CRA has entered into an interlocal agreement with the City of Delray Beach to provide funding for various construction projects within the redevelopment area during the year ending September 30, 2008. The total amount committed by the CRA for these projects was approximately \$6,187,000 at September 30, 2007.

Operating Grants: The CRA has entered into agreements with the following organizations to provide funding for their operations during the year ending September 30, 2008:

City of Delray Beach - Clean and Safe Program	\$ 870,000
Delray Beach Community Land Trust, Inc.	400,000
Delray Beach Public Library Association, Inc.	270,000
Downtown Marketing Cooperative	270,000
Old School Square, Inc.	210,000
EPOCH, Inc.	182,310
Pineapple Grove Main Street, Inc.	<u>10,000</u>
Total grant commitment	<u>\$ 2,212,310</u>

REQUIRED SUPPLEMENTARY INFORMATION

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Tax increment revenue				
City of Delray Beach	\$ 9,202,575	\$ 9,202,575	\$ 9,202,575	\$ 0
Palm Beach County	6,036,675	5,723,374	5,723,374	0
Total Tax Increment Revenue	15,239,250	14,925,949	14,925,949	0
Grants and reimbursements				
Grants	650,000	1,052,062	452,062	(600,000)
CLT single family housing reimbursements	1,000,000	1,455,512	2,742,940	1,287,428
Block 77	0	5,000	2,672	(2,328)
Bus shelter reimbursement	64,500	38,519	0	(38,519)
Total Grants and Reimbursements	1,714,500	2,551,093	3,197,674	646,581
Rental property income	75,000	75,000	57,250	(17,750)
Green Market revenue	15,000	19,628	20,988	1,360
Interest income	100,000	425,000	512,464	87,464
Other income	0	10,000	10,000	0
Total Revenues	17,143,750	18,006,670	18,724,325	717,655
Other Financing Sources				
Debt proceeds	7,000,000	0	5,085,538	5,085,538
14th Avenue townhouse sales	1,000,000	0	0	0
Land sales - miscellaneous	600,000	1,168,368	1,172,060	3,692
Total Other Financing Sources	8,600,000	1,168,368	6,257,598	5,089,230
Total Revenues and Other Financing Sources	25,743,750	19,175,038	24,981,923	5,806,885
EXPENDITURES				
General government				
Personnel				
Salaries	779,571	662,717	658,881	3,836
Payroll taxes	60,941	51,504	49,773	1,731
Health and dental insurance	88,728	88,728	67,950	20,778
Workers compensation insurance	5,311	0	0	0
Retirement contribution	64,570	44,570	26,987	17,583
Travel allowance	10,500	12,000	11,538	462
Cell allowance	7,137	7,137	3,946	3,191
Casual labor	700	1,000	591	409
Total General Government	1,017,458	867,656	819,666	47,990

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General government (continued)				
Supplies and materials				
Office supplies	\$ 20,909	\$ 37,120	\$ 17,521	\$ 19,599
Copier supplies	16,211	0	1,135	(1,135)
Postage/express mail	7,650	7,650	2,674	4,976
	<u>44,770</u>	<u>44,770</u>	<u>21,330</u>	<u>23,440</u>
Office space				
Addition	150,000	17,000	15,044	1,956
Storage	1,379	3,000	2,252	748
Maintenance	20,600	15,600	13,025	2,575
Telephone	9,455	9,455	10,576	(1,121)
Utilities	6,804	7,804	7,306	498
Security	2,652	2,652	1,465	1,187
	<u>190,890</u>	<u>55,511</u>	<u>49,668</u>	<u>5,843</u>
Administration/Operations				
Accounting	13,390	20,550	14,833	5,717
Legal	25,750	36,250	34,356	1,894
Capital outlay	12,731	5,000	0	5,000
CAM: lots/home maintenance	14,884	0	0	0
Contractual services	17,360	7,360	3,980	3,380
Printing	8,150	8,150	2,586	5,564
Publications/subscriptions	5,091	5,091	1,188	3,903
Advertising	3,122	3,122	1,766	1,356
Business expenses	1,849	24	20	4
Bank services	1,591	4,591	4,964	(373)
Employee recruitment	1,910	1,910	1,170	740
Employee moving & storage	7,000	0	0	0
Organization/member dues	5,835	5,835	4,352	1,483
Public relations & communication	26,744	8,000	4,268	3,732
Insurance: commercial, D&O	77,050	89,338	89,338	0
Meetings	12,668	12,668	4,293	8,375
Seminars and workshops	15,000	15,000	14,574	426
Staff/Board retreat	2,000	1,300	1,220	80
Travel	5,150	5,850	5,285	565
Block 60 maintenance	1,273	0	0	0
Miscellaneous	1,804	1,804	0	1,804
	<u>260,352</u>	<u>231,843</u>	<u>188,193</u>	<u>43,650</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General government (continued)				
Equipment, property and maintenance				
Computer equipment and supplies	\$ 17,950	\$ 17,950	\$ 6,585	\$ 11,365
Equipment rentals	20,600	27,000	25,189	1,811
Repairs and maintenance	15,450	5,000	3,522	1,478
Furniture and fixtures	4,120	4,120	0	4,120
Office equipment	4,120	4,120	0	4,120
	<u>62,240</u>	<u>58,190</u>	<u>35,296</u>	<u>22,894</u>
Total General Government	1,575,710	1,257,970	1,114,153	143,817
Property management				
Building and maintenance	32,000	32,000	9,487	22,513
Landscaping	62,000	72,000	79,094	(7,094)
Management fees	0	0	0	0
Property insurance	0	0	0	0
Property taxes	31,000	65,000	64,995	5
Legal fees	6,000	6,000	3,064	2,936
Utilities	40,000	40,000	26,637	13,363
Parking lot	13,000	13,000	4,697	8,303
	<u>184,000</u>	<u>228,000</u>	<u>187,974</u>	<u>40,026</u>
Economic Development				
<i>Areawide and Neighborhood Plans</i>				
West Atlantic Avenue Redevelopment				
Land acquisition	600,000	200,000	64,172	135,828
Project development and implementation	100,000	50,000	25,059	24,941
Legal fees	10,000	6,000	5,593	407
	<u>710,000</u>	<u>256,000</u>	<u>94,824</u>	<u>161,176</u>
Downtown Master Plan				
SE/NE 1st Street (one-way pair)	400,000	800,000	733,624	66,376
SE/NE 5th Avenue (Federal Hwy pairs)	400,000	50,000	54,037	(4,037)
Gateway Feature (Construction & Art)	1,200,000	50,000	25,920	24,080
Downtown shuttle	272,600	272,600	174,665	97,935
Old library site	0	8,700	0	8,700
Project Development/Implementation	25,000	25,000	0	25,000
Cultural Loop & MLK	75,000	0	0	0
Historic District	10,000	22,500	30,490	(7,990)
Committee meetings/marketing	5,000	5,000	4,228	772
Legal fees	5,000	10,000	12,174	(2,174)
	<u>2,392,600</u>	<u>1,243,800</u>	<u>1,035,138</u>	<u>208,662</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic Development (continued)				
<i>Areawide and Neighborhood Plans (continued)</i>				
Southwest Neighborhood Plan				
Parks	\$ 610,647	\$ 132,000	\$ 292,043	\$ (160,043)
Resource center	130,406	565,406	469,070	96,336
Project development	75,000	15,000	0	15,000
SW 14th Avenue Beautification	0	15,000	12,552	2,448
Legal fees	5,000	2,000	627	1,373
	<u>821,053</u>	<u>729,406</u>	<u>774,292</u>	<u>(44,886)</u>
North Federal Highway Redevelopment				
Neighborhood park (LaHacienda)	0	(2,766)	(2,767)	1
Beautification	90,000	2,000	777	1,223
	<u>90,000</u>	<u>(766)</u>	<u>(1,990)</u>	<u>1,224</u>
Osceola Neighborhood Plan				
Traffic calming and beautification	700,000	0	0	0
Legal fees	5,000	0	0	0
	<u>705,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other				
Land Acquisitions	2,034,311	505,000	2,451	502,549
Streets and alley improvements	0	75,000	49,571	25,429
Miscellaneous infrastructure	900,000	10,792	10,792	0
Miscellaneous predevelopment costs	300,000	0	0	0
Legal fees	5,000	5,000	0	5,000
	<u>3,239,311</u>	<u>595,792</u>	<u>62,814</u>	<u>532,978</u>
Total Areawide and Neighborhood Plans	7,957,964	2,824,232	1,965,078	859,154
<i>Redevelopment Projects</i>				
NW/SW 5th Avenue Beautification				
Property acquisitions and fees	200,000	10,000	9,258	742
Building renovations and improvements	1,145,000	800,000	133,346	666,654
Beautification and planning	30,000	171,650	101,003	70,647
Legal fees	2,000	3,500	3,200	300
	<u>1,377,000</u>	<u>985,150</u>	<u>246,807</u>	<u>738,343</u>
Old School Square				
Parking garage	500,000	500,000	500,000	0
Legal and other fees	10,000	7,000	6,997	3
	<u>510,000</u>	<u>507,000</u>	<u>506,997</u>	<u>3</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic Development (continued)				
<i>Redevelopment Projects</i> (continued)				
Block 77 redevelopment (Worthing Place)				
Legal and other fees	\$ 0	\$ 5,000	\$ 2,068	\$ 2,932
West Settlers Historic Grant Program				
Rehabilitation grants and loans	150,000	50,000	33,240	16,760
Neighborhood improvements	15,000	0	0	0
Legal fees	2,000	2,000	1,413	587
	<u>167,000</u>	<u>52,000</u>	<u>34,653</u>	<u>17,347</u>
Affordable/Workforce Housing Program				
Relocations	75,000	75,000	66,338	8,662
Land acquisitions - CRA	2,259,551	700,000	402,666	297,334
Land acquisitions - CLT	0	2,620,000	2,586,124	33,876
Construction - single family - CRA	0	16,500	16,055	445
Construction - single family - CLT	2,250,000	2,233,500	1,969,098	264,402
Construction - triplex	1,000,000	1,000	696	304
Construction - SW 14th Ave townhouses	4,420,000	100,000	72,336	27,664
LaFrance Hotel	2,290,000	2,542,117	2,147,303	394,814
Community Land Trust (CLT)	150,000	550,000	554,246	(4,246)
Consulting services	25,000	5,000	0	5,000
Legal fees	15,000	40,000	35,885	4,115
	<u>12,484,551</u>	<u>8,883,117</u>	<u>7,850,747</u>	<u>1,032,370</u>
Carver Square Neighborhood				
Acquisitions, relocation and planning	200,000	116,400	146,320	(29,920)
Remediation and site development	500,000	5,000	3,600	1,400
Legal fees	20,000	5,000	3,753	1,247
	<u>720,000</u>	<u>126,400</u>	<u>153,673</u>	<u>(27,273)</u>
Total Redevelopment Projects	15,258,551	10,558,667	8,794,945	1,763,722
Community Improvement and Economic Development				
Grant Programs				
Site development and grants	100,000	30,000	24,698	5,302
Business assistance startup	20,000	2,000	637	1,363
Community activities	20,000	20,000	20,950	(950)
Development region grants	150,000	150,000	78,433	71,567
Historic facade grants	100,000	0	0	0
	<u>390,000</u>	<u>202,000</u>	<u>124,718</u>	<u>77,282</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic Development (continued)				
<i>Community Improvement and Economic Development</i> (continued)				
Downtown Marketing & Promotions				
Downtown Marketing Cooperative	\$ 186,390	\$ 186,390	\$ 186,000	\$ 390
DMC Art & Jazz	0	15,000	15,000	0
Christmas tree maintenance	40,000	40,000	40,000	0
Parks/Recreation (Staging)	75,000	0	0	0
DDA cluster study/merchant	15,000	9,000	8,097	903
Business Recruiter Chamber	35,000	26,250	26,250	0
Banners, signage, lights	50,000	50,000	51,625	(1,625)
	<u>401,390</u>	<u>326,640</u>	<u>326,972</u>	<u>(332)</u>
City contractual services				
Planning, IT and parking manager	110,000	110,000	110,000	0
Clean & Safe	400,000	400,000	400,000	0
Lobbyist	3,000	3,000		3,000
Project Engineer	75,000	75,000	75,000	0
Communications Manager	20,000	0		0
Plan Reviewer II	64,000	64,000	57,864	6,136
Neighborhood Planner (Resource Center)	32,771	32,771	19,464	13,307
TED Center	0	30,000	30,000	0
	<u>704,771</u>	<u>714,771</u>	<u>692,328</u>	<u>22,443</u>
EPOCH				
Program grant	103,000	103,000	103,000	0
Contractual Services	74,160	74,160	71,153	3,007
	<u>177,160</u>	<u>177,160</u>	<u>174,153</u>	<u>3,007</u>
Pineapple Grove administration	15,000	15,000	15,000	0
Old School Square				
Debt service payments	30,027	30,027	30,027	0
Organizational support	200,000	200,000	200,000	0
	<u>230,027</u>	<u>230,027</u>	<u>230,027</u>	<u>0</u>
West Atlantic Redevelopment Coalition				
Administration	15,000	15,000	0	15,000

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic Development (continued)				
<i>Community Improvement and Economic Development</i> (continued)				
Green Market				
Personnel & staff	\$ 1,030	\$ 1,030	\$ 585	\$ 445
Entertainment/vendors	6,489	6,489	6,150	339
Supplies & materials	6,901	6,901	5,169	1,732
Administration & operations	6,180	6,180	1,469	4,711
	<u>20,600</u>	<u>20,600</u>	<u>13,373</u>	<u>7,227</u>
<i>Total Community Improvement and Economic Development</i>	<u>1,953,948</u>	<u>1,701,198</u>	<u>1,576,571</u>	<u>124,627</u>
Total Economic Development	25,170,463	15,084,097	12,336,594	2,747,503
Debt service				
Bond principal	1,854,158	220,438	1,240,000	(1,019,562)
Bond interest	220,438	1,854,158	834,596	1,019,562
Line of credit	750,000	76,000	5,161,255	(5,085,255)
Total Debt Service	<u>2,824,596</u>	<u>2,150,596</u>	<u>7,235,851</u>	<u>(5,085,255)</u>
Total Expenditures	<u>29,754,769</u>	<u>18,720,663</u>	<u>20,874,572</u>	<u>(2,153,909)</u>
Net Change in Fund Balance	<u>\$ (4,011,019)</u>	<u>\$ 454,375</u>	<u>\$ 4,107,351</u>	<u>\$ 3,652,976</u>

See note to budgetary comparison schedule.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTE TO BUDGETARY COMPARISON SCHEDULE

September 30, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Budgets: The General Fund budget is prepared on the modified accrual basis of accounting, except that investment income is recorded when received and encumbrances may be recorded for some expenditures. The CRA Board of Commissioners must approve changes or amendments to the total budgeted expenditures of the CRA. In order to make the most effective use of the budgetary process, it is the policy of the CRA to make as few budget adjustments as possible. Expenditures may not legally exceed budgeted appropriations for the CRA in total.

The adopted budgets are prepared on the modified accrual basis in accordance with U.S. generally accepted accounting principles (GAAP), except that amounts advanced to the Delray Beach Community Land Trust (CLT) and the repayments by the CLT are budgeted rather than being reflected as a receivable as required by GAAP. As a result, General Fund revenues and expenditures reported in the budgetary comparison schedule differ from the revenues and expenditures reported on the GAAP basis. The differences can be reconciled as follows:

	Revenues	Expenditures
Budgetary Basis	\$ 18,724,325	\$ 20,874,572
Advances to the CLT recorded as expenditures		(2,742,940)
Repayments of advances by the CLT recorded as revenues	(2,742,940)	
GAAP Basis	\$ 15,981,385	\$ 18,131,632

The General Fund budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget based on legally authorized revisions to the original budgets during the year. Unexpended appropriations lapse at year end. The CRA made amendments of approximately \$11 million to reduce the budgeted appropriations during the year related to construction and redevelopment projects that were not started.

Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary control in the General Fund. Encumbrances outstanding at year end, if any, are reported as reservations of fund balance for subsequent year expenditures. For budgetary purposes, current year encumbrances are treated as expenditures and any unencumbered balances lapse at year end.

**OTHER SUPPLEMENTARY INFORMATION –
COMPONENT UNITS**

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
 COMBINING STATEMENT OF NET ASSETS - ALL COMPONENT UNITS

September 30, 2007

	<u>Block 60 Parking Condominium Association, Inc.</u>	<u>West Atlantic Redevelopment Coalition, Inc.</u>	<u>Total</u>
ASSETS			
Cash	\$ 26,348	\$ 5,519	\$ 31,867
Accounts receivable	<u>3,886</u>	<u></u>	<u>3,886</u>
Total Assets	<u>\$ 30,234</u>	<u>\$ 5,519</u>	<u>\$ 35,753</u>
 NET ASSETS			
Unrestricted	<u>\$ 30,234</u>	<u>\$ 5,519</u>	<u>\$ 35,753</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

COMBINING STATEMENT OF ACTIVITIES -
ALL COMPONENT UNITS

Year Ended September 30, 2007

	Block 60 Parking Condominium Association, Inc.	West Atlantic Redevelopment Coalition, Inc.	Total
REVENUES			
Assessments	\$ 12,576	\$	\$ 12,576
Contributions		4,908	4,908
Interest and other income	111		111
	<u>12,687</u>	<u>4,908</u>	<u>17,595</u>
Total Revenues	12,687	4,908	17,595
EXPENSES			
Condominium properties	6,345		6,345
Community activities		5,181	5,181
Other operating expenses		8,093	8,093
	<u>6,345</u>	<u>13,274</u>	<u>19,619</u>
Total Expenses	6,345	13,274	19,619
Change in Net Assets	6,342	(8,366)	(2,024)
Net assets at October 1, 2006	<u>23,892</u>	<u>13,885</u>	<u>37,777</u>
Net assets at September 30, 2007	<u>\$ 30,234</u>	<u>\$ 5,519</u>	<u>\$ 35,753</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
 COMBINING STATEMENT OF CASH FLOWS - ALL COMPONENT UNITS

Year Ended September 30, 2007

	<u>Block 60 Parking Condominium Association, Inc.</u>	<u>West Atlantic Redevelopment Coalition, Inc.</u>	<u>Total</u>
OPERATING ACTIVITIES			
Change in net assets	\$ 6,342	\$ (8,366)	\$ (2,024)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Increase in accounts receivable	<u>(3,886)</u>	<u> </u>	<u>(3,886)</u>
Net Cash Provided By (Used In) Operating Activities	<u>2,456</u>	<u>(8,366)</u>	<u>(5,910)</u>
Increase (Decrease) in Cash and Cash Equivalents	2,456	(8,366)	(5,910)
Cash at October 1, 2006	<u>23,892</u>	<u>13,885</u>	<u>37,777</u>
Cash at September 30, 2007	<u>\$ 26,348</u>	<u>\$ 5,519</u>	<u>\$ 31,867</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL -
COMPONENT UNIT - BLOCK 60 PARKING CONDOMINIUM ASSOCIATION, INC.

Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Assessments				
Delray Beach Community Redevelopment Agency	\$ 7,480	\$ 7,480	\$ 5,060	\$ (2,420)
City of Delray Beach	1,760	1,760	1,760	0
Delray New Wave, Inc.	1,320	1,320	1,650	330
Manimal, Inc.	1,320	1,320	1,320	0
Dada	880	880	1,320	440
42 North Swinton, Inc.	733	733	1,466	733
	<u>13,493</u>	<u>13,493</u>	<u>12,576</u>	<u>(917)</u>
Interest income	101	101	111	10
Total Revenues	<u>13,594</u>	<u>13,594</u>	<u>12,687</u>	<u>(907)</u>
EXPENSES				
Current				
Landscape maintenance	2,163	2,163	983	1,180
Tree maintenance	1,030	1,030	468	562
Water for irrigation system	2,163	2,163	10	2,153
Electric for lights	2,575	2,575	0	2,575
Insurance	3,760	3,760	3,934	(174)
Property management fee	721	721	0	721
Accounting	876	876	950	(74)
Bank and filing fees	155	155	0	155
Miscellaneous	52	52	0	52
Total Expenses	<u>13,495</u>	<u>13,495</u>	<u>6,345</u>	<u>7,150</u>
Revenues Over Expenses	<u>\$ 99</u>	<u>\$ 99</u>	<u>\$ 6,342</u>	<u>\$ 6,243</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

SCHEDULE OF REVENUES AND EXPENSES -
COMPONENT UNIT - WEST ATLANTIC REDEVELOPMENT COALITION, INC.

Year Ended September 30, 2007

REVENUES

Contributions

Total Revenues \$ 4,908

EXPENSES

Program Activities - community events

5,181

Advertising

4,908

Insurance

2,228

Accounting

950

Bank and filing fees

7

Total Expenses 13,274

Expenses Over Revenues \$ (8,366)

**COMPLIANCE REPORT AND
MANAGEMENT LETTER**



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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With Government Auditing Standards

Board of Commissioners
Delray Beach Community Redevelopment Agency
Delray Beach, Florida

We have audited the financial statements of the Delray Beach Community Redevelopment Agency, a component unit of the City of Delray Beach, Florida, as of and for the year ended September 30, 2007, and have issued our report thereon dated December 28, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the internal control over financial reporting of the Delray Beach Community Redevelopment Agency, as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting of the Delray Beach Community Redevelopment Agency. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting of the Delray Beach Community Redevelopment Agency.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

(2007-1) Reconciliation of Fund Balance

The CRA's opening fund balance at September 30, 2007 did not agree to the ending, audited fund balance at September 30, 2006. The difference of \$154,968 was determined to be the result of various amounts incorrectly posted directly to fund balance during 2007. Generally, adjustments should not be posted directly to fund balance during the year unless they relate to error corrections of prior year balances. We recommend that fund balance be reconciled to the final,

audited fund balance amount of the prior year and subsequently not adjusted until closing the current year end.

(2007-2) Adjusting Journal Entries

We observed the use of many adjusting journal entries in the general ledger. While reviewing these adjusting entries, we noted no documentation that the entries were reviewed by anyone before they were posted. We recommend that an individual, other than the CRA Finance Director, review and approve all journal entries. Each entry should be signed or initialed by the preparer and the reviewer with appropriate supporting documentation and explanation of the purpose of each entry. In addition, each journal entry should have a separate and sequential identifying number to maintain accountability for all journal entries made during the year.

(2007-3) Authorized Account Signers

The State Board of Administration statement for November 2007 lists a former Board member's name for significant withdrawals indicating that the former Board member may still be listed as an authorized signer on the CRA's account at September 30, 2007. We recommend that the CRA contact the State Board of Administration and update the authorized signers to ensure that the former Board member is no longer listed as an authorized signer on the account. The CRA should also review all accounts with other financial institutions to ensure that only current Board members and employees are listed as authorized signers on CRA accounts.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that items 2007-1 and 2007-2 of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Delray Beach Community Redevelopment Agency are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to management in a separate management letter dated December 28, 2007.

This report is intended solely for the information of the Board of Commissioners and management of the Delray Beach Community Redevelopment Agency and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Caler, Donten, Levine,
Dunker, Porter & Veil, P.A.*

December 28, 2007



CALER, DONTEN, LEVINE, DRUKER, PORTER & VEIL, P.A.

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Management Letter

Board of Commissioners
Delray Beach Community Redevelopment Agency
Delray Beach, Florida

We have audited the financial statements of the Delray Beach Community Redevelopment Agency (the "CRA"), a component unit of the City of Delray Beach, Florida, as of and for the year ended September 30, 2007 and have issued our report thereon dated December 28, 2007.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated December 28, 2007, should be considered in assessing the results of our audit. Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in the management letter.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

The Rules of the Auditor General require disclosure in the management letter of the following matters if not already addressed in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, unless clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures; (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. The Rules of the Auditor General also require that we address in the management letter any other findings or recommendations noted during our audit. We noted no additional matters that are required to be reported.

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

The Rules of the Auditor General require that we address in the management letter, if not already addressed in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations and contractual provisions reported in the preceding annual financial audit report have been corrected. Additionally, the Rules of the Auditor General require that

we address in the management letter, if not already addressed in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, whether or not recommendations made in the preceding management letter have been followed or otherwise no longer apply. We noted that our recommendation related to comment (2006-1) Review of Bank Statements included in our management letter dated February 28, 2007 for the year ended September 30, 2006 was implemented by the CRA during the 2006-2007 fiscal year. The following comments made in the preceding management letter require further follow up.

(2006-2) Wire Transfers

The CRA utilizes electronic funds transfers to pay for certain purchases on a periodic basis. Some of these transfers are for purchases of property, which require that payments be made electronically. In addition, the CRA pays the bond principal and interest payments by wire transfer. In reviewing the CRA's policy regarding the authorization of wire transfers, the policy states that the Executive Director and the Finance Director may make wire transfers for the payment of obligations, however, there is no limit on the amount or the recipient of the funds. To improve the internal control over wire transfers from Agency accounts, we recommend that the CRA prepare a list of authorized wire transfer recipients and accounts for approval by the Board of Commissioners. Wire transfers not on the pre-approved list should be authorized in writing in the same manner as checks drawn on CRA accounts. Once approved, the authorized wire transfer list and written instructions for wire transfers should be provided to financial institutions that would make any wire transfer out of the CRA's bank accounts.

(2006-3) Capital Assets

We recommend that the CRA maintain a detailed listing of all properties owned and their cost that can be reconciled to the general ledger. As the number of properties grows, it will become increasingly important to maintain an accurate list. In addition we recommend the CRA take periodic inventories of the properties owned and their conditions and document their findings.

(2006-4) Accounting Policies and Procedures Manual

The CRA has numerous accounting policies and procedures that were developed over several years. Since the original development of these policies and procedures, there have been numerous administrative changes that modify or supersede different policies, however, there is no formal codification of the current policies and procedures. We recommend that a current accounting policies and procedures manual be compiled and updated to reflect all existing policies and procedures.

OTHER REQUIRED INFORMATION

Financial Condition Assessment Procedures

In connection with our audit, we applied financial condition assessment procedures, pursuant to Rule 10.556(7), Rules of the Auditor General, for the year ended September 30, 2007. The results of our procedures disclosed no matters that are required to be reported.

Consideration of Financial Emergency Criteria

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that the Delray Beach Community Redevelopment Agency did not meet any of the conditions described in Section 218.503(1), Florida Statutes, for the fiscal year ended September 30, 2007.

Annual Financial Report

The Delray Beach Community Redevelopment Agency was a dependent special district for the year ended September 30, 2007 and will be included in the Annual Financial Report of Units of Local Government filed by the City of Delray Beach, Florida with the Department of Financial Services for the year ended September 30, 2007.

Investment of Public Funds

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Delray Beach Community Redevelopment Agency complied with Section 218.415, Florida Statutes.

This report is intended solely for the information of the Board of Commissioners and management of the Delray Beach Community Redevelopment Agency and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Cales, Danten, Levine,
Dunker, Porter & Veil, P.A.*

December 28, 2007

March 3, 2008

Board of Commissioners
Delray Beach Community Redevelopment Agency

We have reviewed the findings of Caler, Donten, Levine, Druker, Porter & Veil, P.A. as addressed in their **Compliance Report** and **Management Letter**. We then examined these findings with our Treasurer and we submit the following course of action to resolve these deficiencies.

Compliance Report - Response

(2007-01) – Entries were in fact made to the Operating Funds Balance, as reported, based on the balance at 9/30/06. As noted, this is an incorrect procedure to make such entries. I cannot offer an explanation for such entries particularly due to the circumstances and the timing in which I assumed responsibility for the CRA bookkeeping. These entries have subsequently been corrected. No such entries will be made again, i.e. once the final balance is established by the auditors and the normal year end adjustments are made.

(2007-02) – In the future and in the final closing of this financial audit, all adjusting entries will be done in numerical sequence (serialized) and the entries will be signed by the Director of Finance and the Reviewer, the Treasurer or the Executive Director. The change in accounting software recently made will eliminate many of the prior needs for numerous journal entries to adjust the ledger balances. The new software has been installed and is in effect for records from 9/30/07 onward.

(2007-03) – The SBA account is in the process of being closed out and will no longer be used.

While items (2007-01) and (2007-02) were noted as material weaknesses, these items have now been corrected and they did not result in any misstatement of the financial statements.

Management Letter - Response

(2006-2) – Wire transfers are now approved by the Executive Director and either the Treasurer or the Chairman of the Commission. They are disclosed in writing on a standard finance department form. The Finance Director does not make wire transfers without this approval process. The bond principal and bond interest are automatically debited by Bank of America on March 1, and on September 1 of each applicable year. The bank notifies the CRA at least 15 days prior to these required payments so that there are sufficient funds in the account to cover the debit. A list of authorized wire recipients is being generated and will be forwarded to the appropriate banking facility.

(2006-3) – An Excel spreadsheet is being updated to list all capital assets. This has been done in the past, but we were unable to find the final updates for FY 2007 (9/30/07). This sheet will, in fact, tie directly to the general ledger balance. Periodic updates and inventories will be maintained with the help of the development manager.

(2006-4) – The Accounting Policy and Procedure Manual are constantly being updated by the Director of Finance. There have been numerous changes in bank personnel this past year and this will probably continue to be so. An accounting policy manual is always a work in process for any organization. At present a procedure is being written by the Director of Finance for Accounts Payable procedures to be completed shortly. All effort will be made to keep the manual updated.

The above listed procedures and responses are certainly reasonable and necessary for proper compliance with the State of Florida Auditor General's requirements. We will adhere to these recommendations as outlined.



Diane Colonna
Executive Director



Joe Hinckley
Finance Director